

**C.S.T. Consultants Inc.**



# **Canadian Scholarship Trust Founders' Plan**

Audited Financial Statements and  
Management Report of Fund Performance

**October 31, 2017 and 2016**



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### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain portions of the Management Report of Fund Performance, including but not limited to, "Results of Operations" and "Recent Developments", may contain forward-looking statements about the Plan, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Plan action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Plan and economic factors. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Plan. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

# Management Report of Fund Performance

## Introduction

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Canadian Scholarship Trust Founders' Plan ("the Plan"). A copy of the annual financial statements can be obtained on request, and at no cost, by visiting our website at [www.cst.org](http://www.cst.org), SEDAR at [www.sedar.com](http://www.sedar.com), by calling our customer service team at 1-877-333-7377 or by writing to us by mail at 2235 Sheppard Avenue East, Suite 1600, Toronto, Ontario M2J 5B8.

The Canadian Scholarship Trust Foundation, as the Plan sponsor, and C.S.T. Consultants Inc., as the Investment Fund Manager, view corporate governance and compliance as critical to overall corporate performance and long-term investment returns, and as such we review and support the proxy voting guidelines established by our investment managers. Each investment manager's proxy voting policy is available on request through our customer service area or by contacting us at [cstplan@cst.org](mailto:cstplan@cst.org).

## Investment Objective and Strategy

The Plan's investment objectives are to protect Subscribers' principal (net "Contributions" or "Principal"), and to deliver a reasonable positive return on investments over a long-term investment horizon within prudent risk tolerances.

The Plan invests primarily in debt securities of Canadian federal or provincial governments, and corporations.

The investments held by the Plan are managed by TD Asset Management Inc. The investment assets are allocated among different market sectors and different maturity segments at the portfolio manager's discretion, subject to our investment policies and mandates. The portfolio manager actively manages the Plan, focusing on strategies where value can be added on a sustainable basis. These strategies include sector allocation, duration management, credit research and yield curve positioning.

## Risk

The risks of investing in the Plan remain as described in the prospectus. There were no material changes to the Plan during the financial year that affected the overall level of risk associated with an investment in the Plan.

## Results of Operation

### 2017 Plan Performance

For 2017, the Plan's rate of return, net of fees, was  $-1.0\%$  compared to the investment policy benchmark ("Benchmark") return of  $-0.5\%$  and the FTSE TMX Canada All Government Bond Index return of  $-1.2\%$  ("Broad-based Index"). Both the Plan and Benchmark's performance over the year was negatively influenced by rising yields related to the Bank of Canada's 2017 interest rate increases. The Plan's return is after the deduction of fees and expenses of  $0.8\%$ , while the Benchmark and Broad-based Index returns do not include any costs of investing such as fees, expenses and commissions.

In comparison to the Benchmark, the Plan's overweight position to provincial bonds positively impacted relative performance.

In comparison to the Broad-based Index, the Plan's allocation to treasuries and short term government and corporate bonds contributed positively as yields rose throughout the period. Given the Plan's liabilities and expected maturity payout profile, the composition of the Plan's assets are managed to meet the cash flow requirements of Plan holder's.

## Economic Review

Global economic growth strengthened in 2017 with forecasts revised upwards to 3.6 percent in 2017 and 3.7 percent in 2018 according to the October 2017 World Economic Outlook ("WEO"). Global pickup in economic activity that started in the second half of 2016 gained further momentum in the first half of 2017. In advanced economies, growth was largely broad based, with stronger activity in the United States and Canada, the euro area and Japan. Financial market sentiment was generally strong, with continued gains in equity markets in both advanced and emerging market economies. Inflation remained soft and generally below target.

The Canadian economy grew rapidly in the second quarter of 2017, as growth was broad based across regions and industries. The Bank of Canada increased the overnight rate in July and September of 2017; however, elected to pause further tightening in light of uncertainty from geopolitical developments, notably the renegotiation of the North American Free Trade Agreement. Inflation marginally crept upwards through 2017 reflecting stronger economic activity and higher gasoline prices and is projected by the Bank of Canada to rise to 2 percent for the second half of 2018.

The Canadian fixed income market experienced negative returns following each of the Bank of Canada's interest rate hikes. Bond prices partially recovered in October as yields fell on the expectation the Bank of Canada would refrain from further rate hikes for the remainder of 2017. In this environment, long term federal bonds were amongst the worst performing market segment with losses exceeding 5% over the year. Provincial bonds outperformed relative to federals, however were still in negative territory. Corporate bonds including Financials generated positive returns over the year as spreads tightened in October.

## Recent Developments and Other Information

Recent Canadian economic data depicted mixed results as GDP unexpectedly shrank in August by 0.1 percent from July, followed with stronger than anticipated labour-force survey results released in October and November by Statistics Canada. The Bank of Canada announced on December 6, 2017 the decision to maintain the overnight rate at 1 per cent as a cautious approach in light of softening economic data and ongoing strained discussions related to the renegotiation of the North American Free Trade Act.

We are confident that our investment strategy and conservative management approach will continue to provide value. Our goal, as always, is to provide safety of principal and deliver a reasonable return within our investment policy guidelines and risk tolerances for our subscribers and beneficiaries.

#### **Future Accounting Standards**

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology, and general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 will be effective for the Plan's financial statements during its fiscal 2019 year.

IFRS 15 was issued in May 2014, replacing existing guidance related to revenue recognition and will be effective for the Plan's financial statements during its fiscal 2019 year. IFRS 15 includes a single revenue recognition model based on the principal that revenue is recognized when control of a good or service is transferred to the customer. When appropriate, contracts with customers are divided into separate performance obligations, each of which represent promises to deliver distinct goods or services. IFRS 15 provides guidance for recognizing revenue from performance obligations that are delivered at a point in time, or delivered over time and also includes additional disclosure requirements.

## **Financial and Operating Highlights (with comparative figures)**

The following table is intended to help you understand the key financial results for the past five fiscal years ending October 31 for the Plan. This information is derived from the Plan's audited annual financial statements.

(\$ thousands)	2017 <sup>1</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>2</sup>
<b>Statements of Financial Position</b>					
Total Assets	\$35,915	\$ 52,827	\$ 79,605	\$112,953	\$154,090
Net Assets	30,908	48,836	74,594	108,279	103,005
% Change of Net Assets Attributable to Subscribers' and Beneficiaries	(36.7)%	(34.5)%	(31.1)%	5.1%	(22.1)%
<b>Statements of Comprehensive Income</b>					
Net Investment Income	\$ 230	\$ 1,687	\$ 2,547	\$ 2,499	\$ 4,023
<b>Statements of Changes in Net Assets</b>					
Education Assistance Payments	\$(8,775)	\$(13,232)	\$(15,845)	\$(18,647)	\$(20,019)
Government Grants Received (net of repayments)	(877)	(800)	(562)	(308)	26
Government Grant payments to Beneficiaries	(1,589)	(2,196)	(2,641)	(2,960)	(3,025)
<b>Other</b>					
Total number of units	28,554	42,344	61,317	84,375	109,738
% Change in the total number of units	(32.6)%	(30.9)%	(27.3)%	(23.1)%	(19.1)%

Note:

1 Based on financial statements in accordance with IFRS

2 Based on financial statements in accordance with Canadian GAAP



## Management Fees

### Administration Fees

An administration fee of \$223 thousand (2016 – \$337 thousand) comprising Plan administration and processing fees and financial reporting expenses was paid to the Canadian Scholarship Trust Foundation (“the Foundation”), the sponsor and administrator of the Plan, in accordance with subscribers’ Education Savings Plan Agreements. The administration of the Plan includes processing and call centre services related to new agreements, Government Grants, plan modifications, terminations, maturities and Education Assistance Payments (“EAPs”). The annual administration fee is calculated as 0.5% of the total amount of Principal, Government Grants and Income earned on these amounts, subject to applicable taxes, and is paid monthly.

The Foundation has delegated certain administrative and distribution functions to its wholly-owned subsidiary, C.S.T. Consultants Inc., which is registered as the Plan’s Investment Fund Manager in Ontario, Quebec, Newfoundland and Labrador, and Scholarship Plan Dealer under securities legislation of each of the provinces and territories of Canada in which it operates to sell scholarship plans. C.S.T. Consultants Inc. is the exclusive distributor of the Canadian Scholarship Trust Plans.

In exchange for its administrative services, C.S.T. Consultants Inc. receives an amount equal to the administration costs incurred plus a percentage of such costs from the Foundation. The administration services agreement is renewable on an annual basis.

### Portfolio Management Fees

The Plan’s annual investment management fee was 0.18% including applicable taxes, (2016 – 0.17%) of the average market value of assets, based on the Investment Management Agreements with portfolio managers. The portfolio managers provide investment advisory and discretionary managed account services with respect to purchasing, selling, and dealing in securities.

### Trustee and Custodian Fees

The Plan pays trustee and custodian fees to RBC Investor Services Trust to settle all investment trades and disburse fees, EAPs and other amounts in accordance with the terms of the Plan Agreement. For 2017 these fees charged to the Plan amounted to \$14 thousand (2016 – \$22 thousand) and were 0.04%, including applicable taxes, (2016 – 0.03%) of average market value of assets.

## Summary of Plan Investment Portfolio

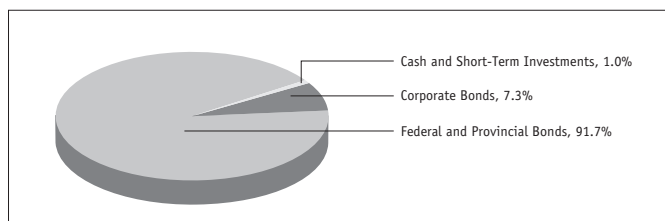
The Plan’s Total Portfolio Assets are comprised of Principal and Income for all education savings plan agreements that have not reached their maturity date, and the assets from which eligible beneficiaries collect EAP payments.

Government grant assets and related investment income are specific to each beneficiary, but are invested together with funds from other Plans administered by the Foundation. Any payments to beneficiaries from Government grant assets are treated as separate payments and are not included in EAP values paid out.

The Plan’s Total Portfolio Assets as presented and as defined in this report, reflect only the Principal and Income assets. The Plan’s Total Portfolio Assets do not include the allocation of assets from the Government Grant asset pool that are attributable to this Plan.

The following chart illustrates the Plan’s Total Portfolio Assets by investment categories.

### Asset Mix as at October 31, 2017



The following table details the top 25 long positions in the Total Portfolio Assets of the Plan. The Plan is prohibited from holding short positions in securities.

Issuer	Rate	Maturity Date	Fair Value (\$ 000's)	% of Plan Portfolio Assets
Canada Housing Trust	1.25%	15 Jun 2021	2,787	14.8%
Province of Ontario	4.40%	02 Jun 2019	1,823	9.7%
Province of Ontario	4.00%	02 Jun 2021	1,550	8.2%
Province of British Columbia	2.25%	01 Mar 2019	1,027	5.4%
Province of Québec	4.50%	01 Dec 2020	985	5.2%
Canada Housing Trust	1.20%	15 Jun 2020	901	4.8%
Canada Housing Trust	2.00%	15 Dec 2019	888	4.7%
Province of Ontario	3.15%	02 Jun 2022	821	4.3%
Canada Housing Trust	2.65%	15 Mar 2022	780	4.1%
Province of Québec	4.50%	01 Dec 2019	743	3.9%
Province of New Brunswick	4.40%	03 Jun 2019	702	3.7%
Province of Manitoba	4.15%	03 Jun 2020	687	3.6%
Canada Housing Trust	1.50%	15 Dec 2021	629	3.3%
Province of Ontario	4.20%	02 Jun 2020	497	2.6%
Toronto Dominion Bank	1.99%	23 Mar 2022	453	2.4%
Province of New Brunswick	4.50%	02 Jun 2020	452	2.4%
Province of Alberta	1.25%	01 Jun 2020	450	2.4%
Province of Manitoba	1.55%	05 Sep 2021	449	2.4%
Province of Québec	4.25%	01 Dec 2021	447	2.4%
Canada Housing Trust	3.75%	15 Mar 2020	268	1.4%
Province of British Columbia	3.25%	18 Dec 2021	240	1.3%
Province of Saskatchewan	1.95%	01 Mar 2019	197	1.0%
Wells Fargo & Company	2.22%	15 Mar 2021	182	1.0%
Bank of Nova Scotia	1.84%	27 Apr 2022	135	0.7%
Bank of Nova Scotia	1.90%	02 Dec 2021	125	0.7%

**Top 25 long positions as a percentage of the Plan’s Total Portfolio Assets** **96.4%**

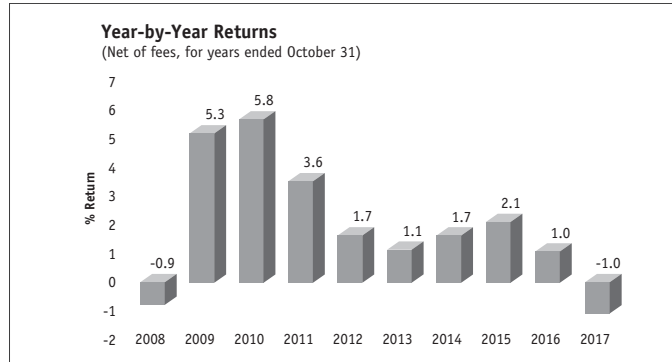
## Past Performance

The returns presented in the following chart and the annual compound returns table are based on the investment performance of the Plan’s Total Portfolio Assets only and do not reflect the investment performance of assets from the Government Grants. Investment returns have been calculated using market values and time-weighted cash flows during the periods. Total expenses incurred by the Plan, including administration, portfolio management, custody and trustee fees, and Independent Review Committee expenses have been deducted and only net returns are displayed in each period. Past returns of the Plan do not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart illustrates the annual performance in each of the past ten years to October 31, 2017 of the Plan’s Total Portfolio Assets. The chart illustrates in percentage terms how much an investment made in the Total Portfolio Assets, on the first day of each

financial year, would have increased or decreased by the last day of each financial year:



### Annual Compound Returns

The Benchmark for this Plan is:

- 92% FTSE TMX Canada Short Term Government Bond Index
- 7% FTSE TMX Canada Short Term Corporate Bond Index
- 1% FTSE TMX Canada 91-Day Treasury Bill Index

The FTSE TMX Canada Short Term Government Bond Index is a broad measure of Canadian investment grade fixed income securities, issued by the Government of Canada, including Crown Corporations and provincial governments, with maturities between 1 and 5 years.

The FTSE TMX Canada Short Term Corporate Bond Index is a broad measure of Canadian investment grade fixed income securities issued by corporations, with maturities between 1 and 5 years.

The FTSE TMX Canada 91-Day Treasury-Bill Index is based upon the average daily yield of 91-Day Treasury-Bills.

The FTSE TMX Canada All Government Bond Index is a broad measure of Canadian investment grade fixed income securities, issued by the Government of Canada, including Crown Corporations and provincial governments, with maturities greater than 1 year.

The following table illustrates the annual compound returns of the Plan's Total Portfolio Assets for the periods shown ending on October 31, 2017.

	Period			
	1 Yr	3 Yr	5 Yr	10 Yr
<b>Net Plan Return*</b>	-1.0	0.7	1.0	2.0
<b>Benchmark</b>	-0.5	1.2	1.5	3.3
<b>Broad-based Index: FTSE TMX Canada All Government Bond Index</b>	-1.2	3.0	2.8	4.6

Note:

\* The Plan returns are after the deduction of fees and expenses, while the benchmark and broad-based index returns do not include any costs of investing such as fees, expenses and commissions. The Plan's fees and expenses were 0.8% for the one and three-year returns, and 0.7% for five and ten-year.

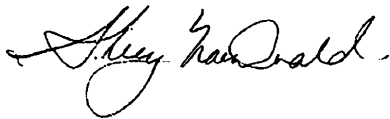
For commentary on the market and/or information regarding the relative performance of the Plan compared to its Broad-based Index and Benchmark, see the Results of Operations section of this report.

# Management's Responsibility for Financial Reporting

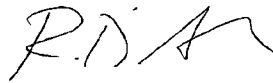
The accompanying financial statements of the Canadian Scholarship Trust Founders' Plan (the "Plan") are prepared by management and are approved by the Board of Directors of the Canadian Scholarship Trust Foundation (the "Foundation"). Management is responsible for the information and representations contained in these financial statements. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

The Foundation, through C.S.T. Consultants Inc., a wholly-owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 2 to the financial statements.

Deloitte LLP is the external auditor of the Plan. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the Board of Directors and Members of the Foundation its opinion on the financial statements. Its report is set out below.



**Sherry J. MacDonald, CPA, CA**  
President and Chief Executive Officer



**Richard D'Archivio, CPA, CA, CFA**  
Vice President, Chief Financial Officer

Toronto, Ontario  
December 19, 2017

## Independent Auditor's Report

To the Board of Directors and Members of the Canadian Scholarship Trust Foundation

We have audited the accompanying financial statements of the Canadian Scholarship Trust Founders' Plan, which comprise the statements of financial position as at October 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in net assets attributable to subscribers' and beneficiaries and statements of cash flows for the years ended October 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Scholarship Trust Founders' Plan as at October 31, 2017, and 2016 and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



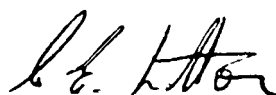
Chartered Professional Accountants  
Licensed Public Accountants  
December 19, 2017

# Statements of Financial Position

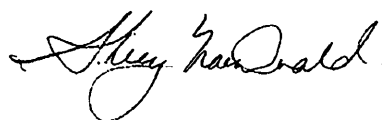
As at October 31, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 278	\$ 765
Receivables for securities sold	1,852	12
Investments, at fair value <i>(Note 4 and Schedule I)</i>	33,504	51,548
Accrued interest and other receivables	281	500
Government grants receivable	-	2
	<b>35,915</b>	<b>52,827</b>
<b>Liabilities</b>		
Payables for securities purchased	1,897	43
Accounts payable, accrued liabilities and unclaimed subscribers' funds	3,110	3,948
	<b>5,007</b>	<b>3,991</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>30,908</b>	<b>48,836</b>
<b>Represented by:</b>		
<b>Non-Discretionary Funds</b>		
Accumulated income held for future education assistance payments	12,854	20,988
Subscribers' deposits <i>(Schedule II)</i>	4,704	9,118
Government grants	6,280	9,050
Income on Government grants	7,570	8,020
General Fund <i>(Note 7)</i>	(526)	987
<b>Unrealized Gains (Losses)</b>	<b>26</b>	<b>519</b>
<b>Discretionary Funds</b>		
Donations from the Foundation <i>(Note 7)</i>	-	154
	<b>\$30,908</b>	<b>\$48,836</b>

Approved on behalf of the Board of Canadian Scholarship Trust Foundation.



Colin E. Litton, FCPA, FCA  
Director



Sherry J. MacDonald, CPA, CA  
Director



# Statements of Comprehensive Income

For the years ended October 31, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
<b>Income</b>		
Interest for allocation to subscriber accounts	\$1,215	\$1,945
Realized gains (losses) on sale of investments	(258)	(69)
Change in unrealized gains (losses)	(493)	187
Dividends	76	93
	<b>540</b>	<b>2,156</b>
<b>Expenses</b>		
Administration and account maintenance fees <i>(Note 3(a))</i>	223	337
Portfolio management fees	72	109
Custodian and trustee fees	14	22
Independent Review Committee fees	1	1
	<b>310</b>	<b>469</b>
<b>Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries</b>	<b>\$ 230</b>	<b>\$1,687</b>

# Statements of Changes in Net Assets Attributable to Subscribers' and Beneficiaries

For the years ended October 31, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
<b>Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Year</b>	<b>\$ 48,836</b>	<b>\$ 74,594</b>
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	230	1,687
Transfers to internal and external plans	(1,251)	(2,054)
	<b>(1,021)</b>	<b>(367)</b>
<b>Disbursements</b>		
Net Government grants paid	(877)	(800)
Net decrease in Subscribers' deposits <i>(Schedule II)</i>	(4,414)	(7,490)
Payments to beneficiaries		
Education assistance payments	(8,775)	(13,232)
Government grants	(1,589)	(2,196)
Return of interest	(1,252)	(1,673)
<b>Total payments to beneficiaries</b>	<b>(11,616)</b>	<b>(17,101)</b>
<b>Total Disbursements</b>	<b>(16,907)</b>	<b>(25,391)</b>
<b>Change in Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>(17,928)</b>	<b>(25,758)</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries, End of Year</b>	<b>\$ 30,908</b>	<b>\$ 48,836</b>

# Statements of Cash Flows

For the years ended October 31, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
<b>Operating Activities</b>		
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	\$ 230	\$ 1,687
Net proceeds from investment transactions	17,307	25,646
Items not affecting cash		
Realized losses on sale of investments	258	69
Change in unrealized (gains) losses	493	(187)
Change in non-cash operating working capital		
Decrease in Accrued interest and other receivables	219	237
Decrease in Government grants receivable	2	3
(Decrease) in Accounts payable, accrued liabilities and unclaimed subscribers' funds	(838)	(873)
<b>Cash flow from Operating Activities</b>	<b>17,671</b>	<b>26,582</b>
<b>Financing Activities</b>		
Transfers to internal and external plans	(1,251)	(2,054)
Net Government grants paid	(877)	(800)
Net decrease in Subscribers' deposits <i>(Schedule II)</i>	(4,414)	(7,490)
Payments to beneficiaries	(11,616)	(17,101)
<b>Cash flow used in Financing Activities</b>	<b>(18,158)</b>	<b>(27,445)</b>
<b>Net (decrease) increase in Cash and cash equivalents</b>	<b>(487)</b>	<b>(863)</b>
<b>Cash and cash equivalents, Beginning of Year</b>		
Cash	664	1,215
Cash equivalents	101	413
	<b>765</b>	<b>1,628</b>
<b>Cash and cash equivalents, End of Year</b>		
Cash	223	664
Cash equivalents	55	101
	<b>\$ 278</b>	<b>\$ 765</b>
<b>Supplemental cash flow information:</b>		
Withholding Taxes	\$ 8	\$ 9
Interest Income Received	1,438	2,178

# Schedule I – Statement of Investment Portfolio

As at October 31, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>						<b>Cash and cash equivalents – 1.0%</b>		
<b>Federal – 33.1%</b>						<b>Total Portfolio Assets – 100.0%</b>		
Canada Housing Trust	2.00	15 Dec 2019	879	888	898		180	180
Canada Housing Trust	3.75	15 Mar 2020	255	268	288		<b>18,888</b>	<b>19,673</b>
Canada Housing Trust	1.20	15 Jun 2020	911	901	921	<b>Investments Allocation (Note 4)</b>		
Canada Housing Trust	1.25	15 Jun 2021	2,843	2,787	2,888	<b>Government Grants (Appendix I)</b>	14,796	13,985
Canada Housing Trust	1.50	15 Dec 2021	638	629	643	<b>Cash and cash equivalents (Appendix I)</b>	98	98
Canada Housing Trust	2.65	15 Mar 2022	756	780	802	<b>Total Investment Fund</b>	<b>33,782</b>	<b>33,756</b>
				6,253	6,440	<b>Represented by:</b>		
						<b>Cash and cash equivalents</b>	278	
						<b>Investments, at fair value</b>	33,504	
							<b>33,782</b>	
<b>Municipal and Provincial – 58.6%</b>								
Province of Alberta	1.25	1 Jun 2020	456	450	462			
Province of British Columbia	2.25	1 Mar 2019	1,016	1,027	1,053			
Province of British Columbia	3.25	18 Dec 2021	228	240	247			
Province of Manitoba	4.15	3 Jun 2020	647	687	736			
Province of Manitoba	1.55	5 Sep 2021	456	449	464			
Province of New Brunswick	4.40	3 Jun 2019	656	702	756			
Province of New Brunswick	4.50	2 Jun 2020	433	452	487			
Province of Ontario	4.40	2 Jun 2019	1,745	1,823	1,959			
Province of Ontario	4.20	2 Jun 2020	474	497	517			
Province of Ontario	4.00	2 Jun 2021	1,458	1,550	1,639			
Province of Ontario	3.15	2 Jun 2022	765	821	863			
Province of Québec	4.50	1 Dec 2019	702	743	767			
Province of Québec	4.50	1 Dec 2020	911	985	1,052			
Province of Québec	4.25	1 Dec 2021	410	447	451			
Province of Saskatchewan	1.95	1 Mar 2019	196	197	199			
				11,070	11,652			
<b>Corporate – 7.3%</b>								
Bank of Montreal	1.61	28 Oct 2021	68	67	69			
Bank of Nova Scotia	1.90	2 Dec 2021	128	125	129			
Bank of Nova Scotia	1.84	27 Apr 2022	137	135	138			
Canadian Imperial Bank of Commerce	2.04	21 Mar 2022	82	81	83			
Daimler Canada Finance Inc.	2.23	16 Dec 2021	64	63	64			
Honda Canada Finance Inc.	2.54	1 Mar 2023	64	64	65			
Toronto Dominion Bank	1.99	23 Mar 2022	446	453	448			
Toronto Dominion Bank	2.98	30 Sep 2025	82	81	83			
Toyota Credit Canada Inc.	2.62	11 Oct 2022	36	36	37			
Wells Fargo & Company	2.22	15 Mar 2021	182	182	184			
Wells Fargo & Company	2.09	25 Apr 2022	100	98	101			
				1,385	1,401			

The accompanying notes are an integral part of these financial statements.

## Schedule II – Subscribers' Deposits and Accumulated Income

As at October 31, 2017 and 2016 (in thousands of Canadian dollars)

The following table provides a summary of Founders' Plan units, Subscribers' Deposits and Accumulated Income by year of eligibility.

Year of Eligibility	Opening Units	Inflow Units <sup>1</sup>	Outflow Units <sup>2</sup>	Closing Units	Subscribers' Deposits	Accumulated Income <sup>3</sup>
2016 and prior to 2016	35,425	21	13,236	22,210	2,579	7,069
2017	4,140	28	299	3,869	734	1,999
2018	2,568	25	329	2,264	1,154	2,170
2019	196	–	–	196	229	1,607
2020	9	–	–	9	5	5
2021	2	–	–	2	1	2
2022	–	–	–	–	–	–
2023 and thereafter	4	–	–	4	2	2
<b>TOTAL</b>	<b>42,344</b>	<b>74</b>	<b>13,864</b>	<b>28,554</b>	<b>\$ 4,704</b>	<b>\$12,854</b>

1 Inflow units are comprised of transfers in.

2 Outflow units are comprised of terminations, transfers out and education assistance payments.

3 Accumulated income represents both income allocated to Subscribers' accounts and income held for future education assistance payments.

The changes in Subscribers' deposits are as follows:

	2017	2016
Payments from subscribers'	\$ 179	\$ 267
Inter-plan principal transfers	(1,250)	(2,093)
Account maintenance fees	(6)	(10)
Return of principal	(3,337)	(5,654)
Net decrease in Subscribers' deposits	(4,414)	(7,490)
<b>Balance, Beginning of Year</b>	<b>9,118</b>	<b>16,608</b>
<b>Balance, End of Year</b>	<b>\$ 4,704</b>	<b>\$ 9,118</b>

## Schedule III – Education Assistance Payments

For the years ended October 31, 2017 and 2016 (in thousands of Canadian dollars, except for per unit amounts)

The following tables provide the total dollar payments by fiscal year, as well as number of eligible units paid and education assistance payment amounts by year of eligibility.

<b>Education Assistance Payments</b>	<b>2017</b>	<b>2016</b>	<b>Education Assistance Payments</b>	<b>2017</b>	<b>2016</b>
Current year payments	<b>\$3,855</b>	\$ 7,093	Non-Discretionary	<b>\$8,775</b>	\$13,232
Deferred payments	<b>4,901</b>	6,120	Discretionary	–	–
Advance payments	<b>19</b>	19		<b>\$8,775</b>	\$13,232
	<b>\$8,775</b>	\$13,232			

	<b>Number of Education Assistance Payment units Year of Eligibility</b>			<b>Amount of Education Assistance Payment per unit Year of Eligibility</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
First	<b>2,106.7</b>	3,480.9	5,981.3	<b>\$340</b>	\$398	\$376
Second		<b>2,748.2</b>	4,991.2		<b>427</b>	473
Third			<b>4,138.4</b>			<b>475</b>



# Notes to the Financial Statements

October 31, 2017 and 2016 (in thousands of Canadian dollars)

## Note 1. Nature of Operations

The Canadian Scholarship Trust Founders' Plan (the "Plan") is a Pooled Education Savings Plan that was established on September 1, 1988. Since June 2000, the Plan is no longer available for sale. The objective of the Plan is to assist parents and others to save for the post-secondary education of children. The Plan is managed by C.S.T Consultants Inc. ("C.S.T.C."), a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the "Foundation"). The Plan's registered place of business is 1600-2235 Sheppard Avenue East, Toronto, Ontario, Canada.

Payments are made by a subscriber to an account maintained by the Plan's trustee on behalf of a beneficiary. Deductions of sales charges and account maintenance fees are made from the subscriber's contributions. The principal accumulated over the term of the subscriber's education savings plan agreement (the "Agreement") is returned to the subscriber when:

- i. the Agreement matures and the beneficiary is a qualified student eligible to receive the first education assistance payment ("EAP"),
- ii. the Agreement matures and the beneficiary is not yet a qualified student, in which case the beneficiary will forfeit all government grants (as described below), or
- iii. the Agreement is terminated.

The investment income earned on the subscribers' principal balance is used to provide EAPs to qualified students. A beneficiary is deemed to be a qualified student upon receipt by the Foundation of evidence of enrolment in a qualifying educational program at an eligible institution.

There are a number of government grants that may be available to beneficiaries including the Canada Education Savings Grant Program ("CESG"), the Canada Learning Bond ("CLB"), the Quebec Education Savings Incentive ("QESI"), and the Saskatchewan Advantage Grant for Education Savings ("SAGES") (collectively, "Government Grants"). The Government of Saskatchewan has announced a temporary suspension of the SAGES program effective January 1, 2018.

The Plan collects Government Grants, which are credited directly into subscribers' Agreements ("Agreements") and invests these funds in accordance with the Plan's investment policies. The Government Grants along with investment income earned thereon are paid to qualified students with their EAPs.

Agreements are registered with appropriate government authorities if all required information is provided and once registered, are subject to the rules for Registered Education Savings Plans ("RESP") under the *Income Tax Act* (Canada). The current tax legislation provides that income credited on subscribers' principal is not taxable income of the subscriber unless withdrawn as an Accumulated Income Payment subject to certain eligibility requirements. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Payments made to a beneficiary, including EAPs, Government Grants and investment income earned on Government Grants will constitute taxable income of that beneficiary in the year that the payments are made.

## Note 2. Significant Accounting Policies

### (a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved by the Board of Directors of the Foundation on December 19, 2017.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as "at fair value through profit or loss" ("FVTPL"), which are measured at fair value.

### (c) Future accounting standard

The following new accounting standards have been issued by the International Accounting Standards Board ("IASB"). These new standards are not yet effective and the Plan has not completed its assessment of the impact on its financial statements.

#### *IFRS 9 Financial Instruments ("IFRS 9")*

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology, and general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 will be effective for the Plan's financial statements during its fiscal 2019 year.

#### *IFRS 15 Revenue from Contracts with Customers ("IFRS 15")*

IFRS 15 was issued in May 2014, replacing existing guidance related to revenue recognition and will be effective for the Plan's financial statements during its fiscal 2019 year. IFRS 15 includes a single revenue recognition model based on the principal that revenue is recognized when control of a good or service is transferred to the customer. When appropriate, contracts with customers are divided into separate performance obligations, each of which represent promises to deliver distinct goods or services. IFRS 15 provides guidance for recognizing revenue from performance obligations that are delivered at a point in time, or delivered over time and also includes additional disclosure requirements.

### (d) Financial instruments

The Plan recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of those classified as FVTPL, are measured at fair value plus transaction costs on initial recognition. Financial assets and financial liabilities classified as FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred. Investments, at fair value have been designated as FVTPL.

# Notes to the Financial Statements (continued)

October 31, 2017 and 2016 (in thousands of Canadian dollars)

## Note 2. Significant Accounting Policies (continued)

### (d) Financial instruments (continued)

Measurement in subsequent periods depends on the classification of the financial instrument. The financial assets and financial liabilities of the Plan are classified as follows:

Financial asset or financial liability	Classification
Investments, at fair value	FVTPL <sup>i</sup>
Cash and cash equivalents	Loans and receivables <sup>ii</sup>
Accrued interest and other receivables	Loans and receivables <sup>ii</sup>
Receivables for securities sold	Loans and receivables <sup>ii</sup>
Accounts payable, accrued liabilities and unclaimed subscribers' funds	Other financial liabilities <sup>iii</sup>
Payables for securities purchased	Other financial liabilities <sup>iii</sup>

<sup>i</sup> Financial assets are designated as FVTPL when acquired principally for the purpose of trading. Financial assets classified as FVTPL are measured at fair value, with changes in unrealized gains and losses recognized on the Statements of Comprehensive Income.

<sup>ii</sup> Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

<sup>iii</sup> Other financial liabilities are liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

### (e) Investment valuation

Investments, at fair value include the following types of securities: bonds, money market securities, and exchange-traded funds ("ETF").

The fair value of fixed income securities that are not publicly traded is measured by using either the average bid price from multiple dealers, or by the present value of contractual cash flows, discounted at current market rates. Interest accrued at the reporting date is included in Accrued interest and other receivables on the Statements of Financial Position.

The fair value of securities that are publicly traded in an active market is measured using bid prices at the reporting date.

Note 8 provides further guidance on fair value measurements.

### (f) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest for allocation to subscriber accounts represents the coupon interest received by the Plan accounted for on an accrual basis. The Plan does not amortize premiums paid or discounts received on the purchase of fixed income securities. Dividends and distributions are accrued as of the ex-dividend

date and ex-distribution date, respectively. Realized gains (losses) on the sale of investments and Change in unrealized gains (losses) are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

### (g) Subscribers' deposits, sales charges and account maintenance fees

Subscribers' deposits reflect amounts received from subscribers' net of sales charges and account maintenance fees and do not include future amounts receivable on outstanding Agreements. Sales charges are deducted from subscribers' deposits and are collected over periods of up to 32 months from the date of initial deposit. Account maintenance fees are paid annually to the Foundation from subscribers' deposits and are accrued throughout the year.

### (h) Income taxes

The Plan is exempt from income taxes under Section 146.1 of the *Income Tax Act* (Canada).

### (i) Cash and cash equivalents

Cash and cash equivalents include deposit balances with banks and securities with a purchase date to maturity of 90 days or less and includes term deposits, treasury bills and bankers acceptances.

### (j) Foreign currency

The functional and presentation currency of the Plan is the Canadian Dollar.

To the extent applicable in any period, foreign currency purchases and sales of investments and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Comprehensive Income in Realized gains (losses) on sale of investments and Change in unrealized gains (losses), respectively.

### (k) Critical accounting estimates and judgments

When preparing the financial statements, C.S.T.C. management makes estimates and judgments that affect the reported amounts recognized and disclosed in the financial statements. These estimates and judgments have a direct effect on the measurement of transactions and balances recognized in the financial statements. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

## Note 3. Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount agreed between the parties.

### (a) Administration of the Plan

The Foundation, as the Plan sponsor, has appointed C.S.T.C. as the Investment Fund Manager to administer the Plan. Administration and account maintenance fees are paid to the Foundation. Administration fees are annual fees of 1/2 of 1% of

# Notes to the Financial Statements (continued)

October 31, 2017 and 2016 (in thousands of Canadian dollars)

## Note 3. Related Party Transactions (continued)

### (a) Administration of the Plan (continued)

the total amount of principal, Government Grants and income earned thereon.

During the year ended October 31, 2017, \$223 was recognized as an expense for Administration and account maintenance fees (2016 – \$337). Administration and account maintenance fees included in Accounts payable, accrued liabilities and unclaimed subscribers' funds at October 31, 2017 was \$63 (2016 – \$56).

### (b) Fees paid for services of an Independent Review Committee

The Independent Review Committee ("IRC") provides independent review and oversight of conflicts of interest relating to the management of the Plans. For the year ended October 31, 2017, the Plan recognized an expense of \$1 (2016 – \$1) for the services of the IRC. No amounts were included in Accounts payable, accrued liabilities and unclaimed subscribers' funds at October 31, 2017 or 2016.

### (c) Fees paid to monitor and manage the portfolio managers

Included in Portfolio management fees on the Statements of Comprehensive Income is \$10 (2016 – \$13) charged by C.S.T.C. for expenses incurred to monitor and manage the portfolio managers. Included in Accounts payable, accrued liabilities and unclaimed subscribers' funds is \$nil owing from C.S.T.C. at October 31, 2017 (2016 – \$1) relating to these expenses.

## Note 4. Investment Holdings

The investment holdings are disclosed in Schedule I – Statement of Investment Portfolio and related Appendix I to the schedule, which is explained below.

The Government Grants are invested collectively in a separate fund with Government Grants of other RESP plans administered by C.S.T.C. The Government Grant principal received and income earned thereon are separately tracked for each subscriber's Agreement. The portfolio holdings are allocated across all plans based on the proportion of principal and income attributable to Agreements within each plan (see Appendix I to Schedule I).

## Note 5. Capital Risk Management

The Plan's capital consists of the components of the net assets attributable to subscribers' and beneficiaries as per the Statements of Financial Position. The Plan has obligations to return subscriber contributions upon maturity or termination as well as pay EAPs of investment income, grants and income on grants. The Plan invests subscriber contributions and government grants received in appropriate investments in accordance with its stated investment objectives while maintaining sufficient liquidity to meet subscribers' obligations.

## Note 6. Risks Associated with Financial Instruments

In the normal course of business the Plan may be exposed to a variety of risks arising from financial instruments. The Plan's exposures to such risks are concentrated in its investment holdings and are related to market risk (which includes interest rate risk and other price risk), credit risk, liquidity risk and currency risk.

The Plan's risk management process includes monitoring compliance with the Plan's investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions, market events and manage the investment portfolio within the constraints of the investment policy and mandate.

### (a) Market risk

#### i. Interest rate risk

Interest rate risk is the risk of a decrease in the Plan's yield on interest-bearing investments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of bonds. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

The Plan's holdings of debt instruments by maturity are as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	Oct 31, 2017	Oct 31, 2016
Less than 1 year	1%	2%
1-3 years	33%	40%
3-5 years	32%	31%
Greater than 5 years	20%	20%
<b>Total Debt instruments</b>	<b>86%</b>	<b>93%</b>

As at October 31, 2017, if prevailing interest rates had increased by 1%, the fair value of the Total Investment Fund of \$33,782 (2016 – \$52,313) as per Schedule I – Statement of Investment Portfolio, would have decreased by approximately \$1,300 (2016 – \$2,700). If prevailing interest rates had decreased by 1%, the fair value of the Total Investment Fund would have increased by approximately \$1,500 (2016 – \$2,200). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, actual results may differ materially.

#### ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or other factors affecting all instruments traded in a market or market segment affect other price risk. The asset classes that are most impacted by other price risk are the equities and

# Notes to the Financial Statements (continued)

October 31, 2017 and 2016 (in thousands of Canadian dollars)

## Note 6. Risks Associated with Financial Instruments (continued)

### (a) Market risk (continued)

#### ii. Other price risk (continued)

ETFs of the Government Grants asset pool, which represent 14% (2016 – 7%) of the Total Investment Fund as at October 31, 2017. If underlying indices prices had increased or decreased by 1% with all other variables held constant, the fair value of the total investment fund as per Schedule I – Statement of Investment Portfolio would have increased or decreased by approximately \$48 (2016 – \$40). In practice, actual results may differ materially.

### (b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. The Plan's portfolio is comprised of bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by Canadian Securities Administrators. The Plan has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

The Plan's credit risk exposure is summarized below.

Credit rating	October 31, 2017		October 31, 2016	
	% of Total Investment Fund	Amount	% of Total Investment Fund	Amount
AAA	22%	\$ 7,360	29%	\$14,970
AA/AAH/AAL	39%	13,265	30%	15,932
A/AH/AL	24%	8,023	31%	16,431
BBB	0%	–	1%	313
R-1	0%	96	0%	117
Short-term unrated	1%	211	2%	826
<b>Total debt instruments</b>	<b>86%</b>	<b>\$28,955</b>	<b>93%</b>	<b>\$48,589</b>

The Dominion Bond Rating Service ("DBRS") was the primary source for obtaining credit ratings. Secondary sources used include Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc.

### (c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its financial obligations as they come due. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers' and EAPs. The Plan primarily invests in securities that are traded in active markets and can be readily sold. The Plan retains sufficient cash and cash equivalents positions to meet liquidity requirements by utilizing cash forecasting models that reflects the maturity distribution of subscribers' deposits and accumulated income. All other financial liabilities are short term and due within one year.

### (d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan holds foreign ETFs which represent 12% (2016 – nil) of the Total Investment Fund. The fair value of the Total Investment Fund would increase or decrease by approximately \$39 (2016 – \$nil) in response to a 1% depreciation or appreciation of the Canadian dollar currency exchange rate. In practice the actual change may differ materially.

## Note 7. General Fund and Donations from the Foundation

The Canadian Scholarship Trust (the "Canadian Trust") is a legal trust, which includes Plan II and Founders' Plan (the "Plans"). The Plans are registered with Canada Revenue Agency as Education Savings Plans. The General Fund is a separate account within the Canadian Trust and derives its income from the following sources:

- interest earned on subscribers' accumulated income from the date of maturity of the subscribers' agreements to the date the funds are paid to qualified students as EAPs;
- interest earned on the income forfeited when a subscriber's plan is terminated prior to maturity;
- income not collected by beneficiaries before the expiry of benefit period; and
- unclaimed principal and income payments.

Receipts and disbursements of the General Fund for the years ended October 31, 2017 and 2016 are as follows:

	2017	2016
<b>Receipts</b>		
Net investment income	\$ 51	\$ 513
Transfer from Scholarship Pool	–	–
Transfer from Plan II	–	–
<b>Disbursements</b>		
Education assistance payments	(1,564)	(2,214)
Excess of Disbursements over Receipts	(1,513)	(1,701)
<b>Balance, Beginning of Year</b>	<b>987</b>	<b>2,688</b>
<b>Balance, End of Year</b>	<b>\$ (526)</b>	<b>\$ 987</b>

In accordance with the policy on transferring General Fund and Donations between Plans within the same legal trust, in 2017 management forecasted the remaining liability for Plan II. As a result of this forecast, \$nil (2016 – \$nil) was transferred from Plan II to satisfy EAP requirements for Founders' Plan. The forecast is updated and reviewed annually.

Donations from the Foundation represent a discretionary pool of funds shared between the Plans. These funds are used to supplement EAPs when the General Fund is depleted. The amount is allocated annually between the Plans according to the payout forecast in each of the Plans.



# Notes to the Financial Statements (continued)

October 31, 2017 and 2016 (in thousands of Canadian dollars)

## Note 7. General Fund and Donations from the Foundation (continued)

Receipts and disbursements in the Donations from the Foundation for the years ended October 31, 2017 and 2016 are as follows:

	2017	2016
<b>Disbursements</b>		
Education assistance payments	\$ (154)	\$ -
<b>Balance, Beginning of Year</b>	154	154
<b>Balance, End of Year</b>	\$ -	\$154

According to the trust indenture of the Canadian Trust, the General Fund may be used to subsidize EAPs for qualified students of any of the active Plans within the Canadian Trust.

Donations from the Foundation represent a discretionary pool of funds shared between the Plans. These funds are used to supplement EAPs when the General Fund is depleted.

## Note 8. Fair Value Measurements and Disclosures

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to discharge a liability, in an orderly transaction between market participants.

The carrying values of other financial instruments such as Cash and cash equivalents, Accrued interest and other receivables, Receivables for securities sold, Government grants receivable, Accounts payable, accrued liabilities and unclaimed subscribers' funds and Payables for securities purchased approximate their fair values as these financial instruments are short term in nature.

The following table presents the level in the fair value hierarchy into which the Plan's financial instruments that are carried at fair value in the Statements of Financial Position are categorized:

- i. Level 1 financial instruments are valued using quoted market prices.
- ii. Level 2 financial instruments are valued using directly or indirectly observable inputs.
- iii. Level 3 financial instruments are valued using unobservable inputs (including the use of assumptions based on the best information available).

### Assets Measured at Fair Value as of October 31, 2017

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 28,677	\$ -	\$28,677
Equity Securities	4,827	-	-	4,827
<b>Total Investments, at fair value</b>	<b>\$ 4,827</b>	<b>\$28,677</b>	<b>\$ -</b>	<b>\$33,504</b>

### Assets Measured at Fair Value as of October 31, 2016

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 47,825	\$ -	\$ 47,825
Equity Securities	3,723	-	-	3,723
<b>Total Investments, at fair value</b>	<b>\$ 3,723</b>	<b>\$47,825</b>	<b>\$ -</b>	<b>\$ 51,548</b>

For the years ended October 31, 2017 and 2016, there were no transfers between Levels 1 or 2.



# Government Grants

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>						<b>Bonds (continued)</b>					
<b>Federal – 6.4%</b>						<b>Federal – 6.4% (continued)</b>					
Canada Housing Trust	1.95	15 Jun 2019	3,000	3,023	3,080	Muskkrat Falls Funding Trust	3.86	1 Dec 2048	150	175	186
Canada Housing Trust	3.75	15 Mar 2020	3,685	3,870	4,090					79,521	80,939
Canada Housing Trust	1.20	15 Jun 2020	825	816	816						
Canada Housing Trust	1.25	15 Dec 2020	1,500	1,479	1,516	<b>Provincial – 33.7%</b>					
Canada Housing Trust	1.25	15 Jun 2021	1,477	1,449	1,491	Province of Alberta	4.00	1 Dec 2019	780	818	847
Canada Housing Trust	3.80	15 Jun 2021	130	139	144	Province of Alberta	1.25	1 Jun 2020	1,902	1,880	1,883
Canada Housing Trust	1.15	15 Dec 2021	589	572	584	Province of Alberta	1.35	1 Sep 2021	765	749	761
Canada Housing Trust	1.50	15 Dec 2021	688	678	688	Province of Alberta	1.60	1 Sep 2022	439	429	438
Canada Housing Trust	1.75	15 Jun 2022	1,243	1,233	1,249	Province of Alberta	2.55	15 Dec 2022	225	230	232
Canada Housing Trust	2.40	15 Dec 2022	7,518	7,666	7,830	Province of Alberta	2.35	1 Jun 2025	725	719	720
Canada Housing Trust	2.90	15 Jun 2024	1,685	1,764	1,809	Province of Alberta	4.45	15 Dec 2025	1,785	2,022	2,052
Canada Housing Trust	2.55	15 Mar 2025	1,500	1,536	1,598	Province of Alberta	2.20	1 Jun 2026	1,597	1,551	1,594
Canada Housing Trust	1.90	15 Sep 2026	823	795	813	Province of Alberta	2.55	1 Jun 2027	855	847	847
Canada Housing Trust	2.35	15 Jun 2027	860	857	868	Province of Alberta	2.90	20 Sep 2029	1,150	1,157	1,152
Canada Post Corporation	4.36	16 Jul 2040	375	458	472	Province of Alberta	3.50	1 Jun 2031	1,025	1,093	1,081
Government of Canada	0.73	2 Nov 2017	65	65	65	Province of Alberta	3.90	1 Dec 2033	3,522	3,926	3,819
Government of Canada	0.95	14 Dec 2017	275	274	274	Province of Alberta	4.50	1 Dec 2040	3,000	3,676	3,639
Government of Canada	1.00	28 Dec 2017	100	100	100	Province of Alberta	3.45	1 Dec 2043	4,045	4,268	4,183
Government of Canada	0.91	25 Jan 2018	100	100	100	Province of Alberta	3.30	1 Dec 2046	4,726	4,868	4,835
Government of Canada	1.00	22 Feb 2018	1,635	1,627	1,627	Province of Alberta	3.05	1 Dec 2048	3,054	3,012	2,978
Government of Canada	0.96	8 Mar 2018	100	100	100	Province of British Columbia	2.25	1 Mar 2019	250	253	254
Government of Canada	0.50	1 Nov 2018	1,600	1,587	1,598	Province of British Columbia	4.10	18 Dec 2019	1,200	1,263	1,315
Government of Canada	0.50	1 Feb 2019	1,175	1,163	1,167	Province of British Columbia	3.70	18 Dec 2020	1,025	1,086	1,129
Government of Canada	1.75	1 Mar 2019	1,525	1,534	1,548	Province of British Columbia	3.30	18 Dec 2023	900	957	937
Government of Canada	3.75	1 Jun 2019	1,950	2,023	2,034	Province of British Columbia	2.30	18 Jun 2026	898	887	900
Government of Canada	0.75	1 Aug 2019	350	346	347	Province of British Columbia	2.55	18 Jun 2027	1,511	1,512	1,504
Government of Canada	1.75	1 Sep 2019	1,304	1,313	1,345	Province of British Columbia	5.70	18 Jun 2029	2,825	3,663	3,753
Government of Canada	1.50	1 Mar 2020	1,500	1,503	1,538	Province of British Columbia	6.35	18 Jun 2031	2,950	4,137	4,199
Government of Canada	3.50	1 Jun 2020	2,825	2,973	3,080	Province of British Columbia	4.70	18 Jun 2037	3,345	4,212	4,092
Government of Canada	0.75	1 Sep 2020	1,475	1,446	1,466	Province of British Columbia	4.95	18 Jun 2040	5,000	6,610	6,480
Government of Canada	0.75	1 Mar 2021	2,798	2,730	2,760	Province of British Columbia	4.30	18 Jun 2042	3,955	4,849	4,623
Government of Canada	3.25	1 Jun 2021	1,602	1,699	1,753	Province of British Columbia	3.20	18 Jun 2044	1,750	1,813	1,741
Government of Canada	0.75	1 Sep 2021	835	811	827	Province of British Columbia	2.80	18 Jun 2048	3,197	3,081	3,041
Government of Canada	0.50	1 Mar 2022	682	651	650	Province of Manitoba	5.50	15 Nov 2018	514	535	591
Government of Canada	2.75	1 Jun 2022	699	735	752	Province of Manitoba	1.15	21 Nov 2019	253	251	253
Government of Canada	1.00	1 Sep 2022	1,407	1,366	1,387	Province of Manitoba	1.55	5 Sep 2021	373	368	373
Government of Canada	1.50	1 Jun 2023	2,800	2,772	2,843	Province of Manitoba	3.85	1 Dec 2021	1,000	1,073	1,088
Government of Canada	2.50	1 Jun 2024	1,575	1,647	1,701	Province of Manitoba	2.55	2 Jun 2023	400	407	413
Government of Canada	2.25	1 Jun 2025	769	792	791	Province of Manitoba	3.30	2 Jun 2024	2,408	2,547	2,618
Government of Canada	1.50	1 Jun 2026	1,388	1,345	1,386	Province of Manitoba	2.45	2 Jun 2025	250	250	252
Government of Canada	1.00	1 Jun 2027	556	510	508	Province of Manitoba	4.40	5 Sep 2025	1,300	1,472	1,462
Government of Canada	8.00	1 Jun 2027	150	229	242	Province of Manitoba	2.55	2 Jun 2026	655	653	669
Government of Canada	2.00	1 Jun 2028	250	250	246	Province of Manitoba	2.60	2 Jun 2027	388	386	386
Government of Canada	5.75	1 Jun 2029	1,100	1,518	1,551	Province of Manitoba	3.25	5 Sep 2029	950	986	982
Government of Canada	5.75	1 Jun 2033	1,100	1,619	1,676	Province of Manitoba	4.10	5 Mar 2041	5,400	6,218	6,101
Government of Canada	5.00	1 Jun 2037	1,297	1,857	1,823	Province of Manitoba	4.40	5 Mar 2042	3,300	3,977	3,894
Government of Canada	4.00	1 Jun 2041	875	1,142	1,148	Province of Manitoba	3.35	5 Mar 2043	1,300	1,334	1,298
Government of Canada	3.50	1 Dec 2045	3,231	4,008	4,007	Province of Manitoba	4.05	5 Sep 2045	3,300	3,812	3,925
Government of Canada	2.75	1 Dec 2048	1,908	2,095	2,101	Province of Manitoba	2.85	5 Sep 2046	196	183	181
Government of Canada	2.75	1 Dec 2064	1,400	1,590	1,631	Province of Manitoba	3.40	5 Sep 2048	802	837	802
Labrador-Island Link Funding Trust	3.76	1 Jun 2033	150	166	176	Province of New Brunswick	4.40	3 Jun 2019	1,400	1,462	1,556
Labrador-Island Link Funding Trust	3.86	1 Dec 2045	2,200	2,542	2,641	Province of New Brunswick	2.85	2 Jun 2023	700	723	720
Labrador-Island Link Funding Trust	3.85	1 Dec 2053	100	117	126	Province of New Brunswick	3.65	3 Jun 2024	550	593	577
Muskkrat Falls Funding Trust	3.83	1 Jun 2037	4,150	4,666	4,590	Province of New Brunswick	2.60	14 Aug 2026	167	167	167
						Province of New Brunswick	2.35	14 Aug 2027	445	431	436
						Province of New Brunswick	5.65	27 Dec 2028	245	309	300
						Province of New Brunswick	5.50	27 Jan 2034	1,075	1,404	1,265
						Province of New Brunswick	4.65	26 Sep 2035	710	859	739
						Province of New Brunswick	4.55	26 Mar 2037	1,700	2,041	1,986

The accompanying notes are an integral part of these financial statements.

# Government Grants (continued)

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>						<b>Bonds (continued)</b>					
<b>Provincial – 33.7% (continued)</b>						<b>Provincial – 33.7% (continued)</b>					
Province of New Brunswick	4.80	26 Sep 2039	950	1,190	1,183	Province of Québec	5.25	1 Jun 2034	3,000	3,859	3,800
Province of New Brunswick	3.55	3 Jun 2043	3,950	4,172	3,980	Province of Québec	5.75	1 Dec 2036	8,915	12,465	12,161
Province of New Brunswick	3.80	14 Aug 2045	2,550	2,817	2,727	Province of Québec	5.00	1 Dec 2038	4,015	5,236	4,460
Province of New Brunswick	3.10	14 Aug 2048	299	293	293	Province of Québec	5.00	1 Dec 2041	16,925	22,494	21,898
Province of Newfoundland and Labrador	1.95	2 Jun 2022	248	246	247	Province of Québec	4.25	1 Dec 2043	7,625	9,225	9,007
Province of Newfoundland and Labrador	2.30	2 Jun 2025	200	196	199	Province of Québec	3.50	1 Dec 2045	9,550	10,311	9,773
Province of Newfoundland and Labrador	3.00	2 Jun 2026	1,324	1,352	1,329	Province of Québec	3.50	1 Dec 2048	7,857	8,563	8,380
Province of Newfoundland and Labrador	6.15	17 Apr 2028	350	450	466	Province of Saskatchewan	3.20	3 Jun 2024	80	84	83
Province of Newfoundland and Labrador	6.55	17 Oct 2030	1,750	2,393	2,377	Province of Saskatchewan	2.55	2 Jun 2026	1,343	1,343	1,366
Province of Newfoundland and Labrador	4.65	17 Oct 2040	1,350	1,635	1,593	Province of Saskatchewan	2.65	2 Jun 2027	367	367	363
Province of Newfoundland and Labrador	3.30	17 Oct 2046	1,780	1,766	1,662	Province of Saskatchewan	6.40	5 Sep 2031	4,500	6,282	6,341
Province of Newfoundland and Labrador	3.70	17 Oct 2048	1,305	1,400	1,349	Province of Saskatchewan	4.75	1 Jun 2040	2,725	3,445	3,435
Province of Nova Scotia	4.10	1 Jun 2021	550	592	611	Province of Saskatchewan	3.90	2 Jun 2045	3,100	3,531	3,429
Province of Nova Scotia	2.10	1 Jun 2027	462	441	442	Province of Saskatchewan	2.75	2 Dec 2046	3,881	3,593	3,466
Province of Nova Scotia	5.80	1 Jun 2033	2,275	3,065	2,870	Province of Saskatchewan	3.30	2 Jun 2048	1,201	1,244	1,241
Province of Nova Scotia	4.40	1 Jun 2042	3,600	4,375	4,187	Province of Saskatchewan	3.75	5 Mar 2054	384	437	427
Province of Nova Scotia	3.45	1 Jun 2045	2,950	3,109	2,975					419,904	412,879
Province of Nova Scotia	3.50	2 Jun 2062	600	651	599	<b>Municipal – 1.3%</b>					
Province of Ontario	4.40	2 Jun 2019	3,675	3,840	4,032	City of Montreal	5.45	1 Dec 2019	200	215	227
Province of Ontario	4.20	2 Jun 2020	5,125	5,448	5,645	City of Montreal	3.50	1 Sep 2023	225	238	241
Province of Ontario	4.00	2 Jun 2021	5,890	6,319	6,419	City of Montreal	3.00	1 Sep 2025	831	850	837
Province of Ontario	1.35	8 Mar 2022	1,189	1,157	1,163	City of Montreal	2.75	1 Sep 2026	223	223	223
Province of Ontario	3.15	2 Jun 2022	4,800	5,034	5,105	City of Montreal	4.25	1 Dec 2032	350	395	384
Province of Ontario	1.95	27 Jan 2023	1,700	1,686	1,710	City of Montreal	4.10	1 Dec 2034	375	418	399
Province of Ontario	2.85	2 Jun 2023	3,350	3,469	3,349	City of Montreal	3.15	1 Dec 2036	900	885	898
Province of Ontario	3.50	2 Jun 2024	2,765	2,966	2,857	City of Montreal	6.00	1 Jun 2043	550	798	782
Province of Ontario	2.60	2 Jun 2025	2,150	2,176	2,193	City of Ottawa	4.60	14 Jul 2042	500	608	590
Province of Ontario	2.40	2 Jun 2026	1,328	1,315	1,346	City of Ottawa	3.10	27 Jul 2048	83	80	82
Province of Ontario	2.60	2 Jun 2027	1,046	1,045	1,044	City of Toronto	4.50	2 Dec 2019	225	238	250
Province of Ontario	7.60	2 Jun 2027	2,270	3,232	3,255	City of Toronto	3.50	6 Dec 2021	200	211	219
Province of Ontario	6.50	8 Mar 2029	8,825	12,029	12,295	City of Toronto	3.90	29 Sep 2023	1,200	1,299	1,329
Province of Ontario	6.20	2 Jun 2031	1,675	2,307	2,333	City of Toronto	2.40	24 Jun 2026	225	220	225
Province of Ontario	5.85	8 Mar 2033	5,975	8,140	8,182	City of Toronto	2.95	28 Apr 2035	300	290	277
Province of Ontario	5.60	2 Jun 2035	7,275	9,886	9,437	City of Toronto	3.50	2 Jun 2036	1,309	1,357	1,304
Province of Ontario	4.70	2 Jun 2037	8,145	10,165	9,520	City of Toronto	5.20	1 Jun 2040	1,350	1,754	1,764
Province of Ontario	4.60	2 Jun 2039	6,540	8,141	7,739	City of Toronto	4.70	10 Jun 2041	325	399	383
Province of Ontario	4.65	2 Jun 2041	18,475	23,395	22,654	City of Toronto	3.80	13 Dec 2042	550	594	578
Province of Ontario	3.50	2 Jun 2043	6,975	7,499	7,418	City of Toronto	4.15	10 Mar 2044	225	257	246
Province of Ontario	3.45	2 Jun 2045	21,075	22,530	21,708	City of Toronto	3.25	24 Jun 2046	109	108	109
Province of Ontario	2.90	2 Dec 2046	12,063	11,656	11,366	City of Vancouver	3.70	18 Oct 2052	145	156	166
Province of Ontario	2.80	2 Jun 2048	13,197	12,533	12,368	City of Winnipeg	4.10	1 Jun 2045	42	47	48
Province of Québec	4.50	1 Dec 2018	775	800	842	City of Winnipeg	4.30	15 Nov 2051	450	529	512
Province of Québec	4.50	1 Dec 2019	1,600	1,694	1,754	Municipal Finance Authority of British Columbia	5.10	20 Nov 2018	350	363	389
Province of Québec	4.50	1 Dec 2020	1,450	1,567	1,557	Municipal Finance Authority of British Columbia	4.88	3 Jun 2019	350	368	392
Province of Québec	4.25	1 Dec 2021	3,100	3,377	3,481	Municipal Finance Authority of British Columbia	4.15	1 Jun 2021	273	294	306
Province of Québec	3.50	1 Dec 2022	2,100	2,242	2,297	Municipal Finance Authority of British Columbia	3.75	26 Sep 2023	225	243	251
Province of Québec	3.00	1 Sep 2023	3,250	3,393	3,467	Municipal Finance Authority of British Columbia	2.50	19 Apr 2026	822	815	823
Province of Québec	3.75	1 Sep 2024	6,584	7,174	7,277	Region of Peel	2.30	2 Nov 2026	77	74	77
Province of Québec	2.50	1 Sep 2026	1,279	1,277	1,304	Region of Peel	5.10	29 Jun 2040	550	709	694
Province of Québec	2.75	1 Sep 2027	2,570	2,602	2,620	Region of Peel	3.85	30 Oct 2042	300	327	317
Province of Québec	6.00	1 Oct 2029	1,650	2,189	2,204	Regional Municipality of York	2.60	15 Dec 2025	1,350	1,348	1,317
Province of Québec	6.25	1 Jun 2032	4,400	6,153	6,156	Regional Municipality of York	2.50	2 Jun 2026	77	76	79
						Regional Municipality of York	4.00	31 May 2032	300	330	329

The accompanying notes are an integral part of these financial statements.



# Government Grants (continued)

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2017 (in thousands of Canadian dollars)

Security	Number of Securities	Fair Value (\$)	Average Cost (\$)
<b>Equities – 6.3% (continued)</b>			
Methanex Corporation	13	818	620
METRO Inc.	18	743	754
Morguard Corporation	3	511	387
Mullen Group Ltd.	90	1,515	1,499
Onex Corporation	5	523	438
Pason System Inc.	60	1,121	1,098
PrairieSky Royalty Ltd.	55	1,881	1,322
Restaurant Brands International Inc.	7	562	428
Ritchie Brothers Auctioneers Inc.	47	1,714	1,801
ShawCor Ltd.	35	985	1,034
Stella-Jones Inc.	15	735	618
Suncor Energy Inc.	65	2,861	2,305
TELUS Corporation	45	2,112	1,896
Toromont Industries Ltd.	16	881	524
Toronto Dominion Bank	64	4,722	3,499
Total Energy Services Inc.	36	553	515
Tucows Inc.	2	141	135
Wajax Corporation	20	462	421
Westshore Terminals Investment Corporation	53	1,313	1,206
Winpak Ltd.	11	569	551
		78,622	67,324
<b>Exchange-traded Funds – 27.0%</b>			
BMO S&P 500 INDEX ETF	2,625	95,904	89,783
iShares Core S&P U.S. Total Market Index ETF	9,423	240,853	225,342
<b>Total Equities and ETFs – 33.3%</b>		<b>415,379</b>	<b>382,449</b>
<b>Total Investments – 99.4%</b>		<b>1,240,495</b>	<b>1,203,364</b>
<b>Cash and cash equivalents – 0.6%</b>		<b>8,413</b>	<b>8,413</b>
<b>Total Portfolio Assets – 100.0%</b>		<b>1,248,908</b>	<b>1,211,777</b>
<b>Government Grant Investment Allocation</b>			
Plan II		902	860
Founders' Plan		14,796	13,985
Group Savings Plan		125,695	119,941
Group Savings Plan 2001		999,796	971,884
Family Savings Plan		96,176	93,658
Individual Savings Plan		3,130	3,036
		<b>1,240,495</b>	<b>1,203,364</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		6	6
Founders' Plan		98	98
Group Savings Plan		839	839
Group Savings Plan 2001		6,794	6,794
Family Savings Plan		655	655
Individual Savings Plan		21	21
		<b>8,413</b>	<b>8,413</b>

The accompanying notes are an integral part of these financial statements.

# Canadian Scholarship Trust Plan

## Sponsor

Canadian Scholarship Trust Foundation  
2235 Sheppard Avenue East, Suite 1600  
Toronto, Ontario M2J 5B8  
1.877.333.RESP (7377)

## Investment Fund Manager and Distributor

C.S.T. Consultants Inc.  
2235 Sheppard Avenue East, Suite 1600  
Toronto, Ontario M2J 5B8

## Trustee

RBC Investor Services Trust  
155 Wellington Street West, 2<sup>nd</sup> Floor  
Toronto, Ontario M5V 3L3

## Auditor

Deloitte LLP  
Bay Adelaide East  
22 Adelaide Street West, Suite 200  
Toronto, Ontario M5H 0A9

## Bank

Royal Bank of Canada  
Royal Bank Plaza  
South Tower  
200 Bay Street, 10<sup>th</sup> Floor  
Toronto, Ontario M5J 2J5

For updates on your Plan account, login to Online Services at [www.cst.org](http://www.cst.org)  
In Quebec, Canadian Scholarship Trust Plan is distributed by  
C.S.T. Consultants Inc. Scholarship Plan Brokerage Firm.

